

Presented to the Court by the foreman of the  
Grand Jury in open Court, in the presence of  
the Grand Jury and FILED in The U.S.  
DISTRICT COURT at Seattle, Washington.

MAY 21 2009  
BRUCE RIFKIN, Clerk  
By [Signature] Deputy

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

CR 09 0159 MJP

UNITED STATES OF AMERICA,

Plaintiff,

v.

INDICTMENT

ALEKSANDR KRAVCHENKO, and  
GALINA KRAVCHENKO.

Defendants.



09-CR-00159-INDI

THE GRAND JURY CHARGES THAT:

COUNT 1

(Conspiracy to Commit Bank Fraud)

A. Background.

At all times relevant to this Indictment, unless otherwise specified:

1. ALEKSANDR KRAVCHENKO and GALINA KRAVCHENKO resided and  
conducted business in the Western District of Washington.

2. ALEKSANDR KRAVCHENKO and GALINA KRAVCHENKO were never  
licensed by the State of Washington as residential mortgage lenders.

3. On or about March 12, 2005, GALINA KRAVCHENKO obtained a real estate  
salesperson license from the State of Washington and was affiliated with Skyline Properties, Inc.,  
an independent real estate office based in Western Washington.

1           4.     ALEKSANDR KRAVCHENKO was never licensed by the State of Washington  
2 as a real estate salesperson or real estate broker.

3           5.     ALEKSANDR KRAVCHENKO and GALINA KRAVCHENKO conducted  
4 business in King and Pierce Counties under the business names Pallazzo Homes LLC and  
5 Artisan Custom Homes LLC.

6           6.     Westsound Bank (also doing business as Westsound Bank and Mortgage) was a  
7 financial institution as defined in Title 18, United States Code, Sections 20 and 1956(c)(6).

8           7.     ALEKSANDR KRAVCHENKO and GALINA KRAVCHENKO had personal  
9 bank accounts at Westsound Bank, Bank of America, and US Bank. In addition, ALEKSANDR  
10 KRAVCHENKO and GALINA KRAVCHENKO had a business account in the name of Pallazzo  
11 Homes LLC at US Bank and a business account in the name of Artisan Custom Homes LLC at  
12 Bank of America.

13 B.     The Agreement.

14           8.     Beginning at a time unknown, but no later than in or about 2006, and continuing  
15 through 2007, in the Western District of Washington and elsewhere, the defendants,  
16 ALEKSANDR KRAVCHENKO and GALINA KRAVCHENKO, and others known and  
17 unknown to the Grand Jury, did knowingly and wilfully combine, conspire, and agree to commit  
18 Bank Fraud, in violation of Title 18, United States Code, Sections 1344 and 2.

19 C.     Purpose of the Conspiracy.

20           9.     The purpose of the conspiracy was to defraud financial institutions, namely  
21 Westsound Bank, by, among other things: (a) locating residential real properties that were  
22 available for purchase and recruiting otherwise unqualified buyers to participate in purchasing  
23 and building on the properties; (b) submitting false and fraudulent construction loan applications  
24 and related documents to Westsound Bank, thereby causing Westsound Bank to make loans; and  
25 (c) diverting a portion of the fraudulently-obtained loan proceeds for their personal use and  
26 benefit, and to further the fraud scheme.

1           10. During the period of the conspiracy, the defendants secured through otherwise  
2 unqualified purchasers fifty-five loans, representing at least \$49,000,000 in loan proceeds, based  
3 on false and fraudulent representations. The defendants diverted at least \$1,000,000 in these  
4 fraudulently-obtained loan proceeds for their personal benefit and use.

5 D. Manner and Means of the Conspiracy.

6           11. The defendants and their co-conspirators used the following means and acted in  
7 the following manner, among others, to effect the conspiracy:

8           a. It was part of the conspiracy that the defendants recruited individuals who  
9 were otherwise unqualified to obtain construction loans to buy and build houses on properties  
10 often selected and previously purchased by the defendants.

11           b. It was a further part of the conspiracy that GALINA KRAVCHENKO  
12 received a real estate commission for the purchasing or assigning of the properties.

13           c. It was a further part of the conspiracy that most of the buyers had no  
14 intention of permanently owning or occupying the houses.

15           d. It was further part of the conspiracy that the defendants would prepare, or  
16 cause others to prepare, a Uniform Residential Loan Application ("Loan Application") to  
17 facilitate the scheme to defraud. The Loan Application, commonly referred to as a mortgage loan  
18 application, or Form 1003, is a universally used mortgage loan application developed by federal  
19 government agencies and utilized by financial institutions and other lenders in the mortgage loan  
20 approval process. The Loan Application requires prospective borrowers to submit a complete  
21 and accurate financial history, including employment information, monthly income, assets and  
22 liabilities, details of the residential real estate transaction, and whether the property will be used  
23 as the borrower's primary residence. The Loan Application includes an "Acknowledgment and  
24 Agreement" clause, pursuant to which borrowers acknowledge that the information provided is  
25 true and correct. The defendants, and others acting on their behalf, caused the Loan Applications  
26 for the otherwise unqualified buyers to be prepared based upon fraudulent representations related  
27 to gross monthly income, assets and liabilities, and whether the property would be used as the  
28 primary residence.

1 e. It was a further part of the conspiracy that the defendants, and others  
2 known and unknown, submitted, or caused to be submitted, false and fraudulent Loan  
3 Applications, together with false and fraudulent supporting documentation related to  
4 employment, income, assets, and tax information to Westsound Bank to secure the construction  
5 loans.

6 f. It was a further part of the conspiracy that the defendants, and others  
7 known and unknown, provided funds to the borrowers to inflate their bank accounts, in an effort  
8 to secure the construction loans from Westsound Bank.

9 g. It was a further part of the conspiracy that the defendants, and others  
10 known and unknown, submitted, or caused to be submitted, false and fraudulent documentation  
11 related to the construction of the homes, including false contractor contracts, false builder  
12 questionnaires (focused on capacity to build the homes), false subcontractor bid documents, and  
13 false cost breakdowns, to Westsound Bank to secure the construction loans.

14 h. It was a further part of the conspiracy that the defendants, and others  
15 known and unknown, represented and caused to be represented to Westsound Bank that the Loan  
16 Applications and related documentation submitted on behalf of prospective borrowers reflected  
17 complete and accurate information. Westsound Bank extended financing on the basis of those  
18 representations.

19 i. It was a further part of the conspiracy that defendants diverted a portion of  
20 the loan proceeds from escrow accounts for their personal benefit.

21 j. It was a further part of the conspiracy that the defendants, and/or their  
22 business entities, including Artisan Custom Homes and Pallazzo Homes, would receive, at the  
23 time of closing, a "development fee" for their efforts in securing funding for the borrowers. The  
24 loan amount requested had to be inflated to account for the "development fee."

25 k. It was a further part of the conspiracy that most of the borrowers did not  
26 know about the "development fee" until the time of closing.

27 l. It was a further part of the conspiracy that some borrowers were falsely  
28 told that the "development fee" constituted a fee required by the bank in order to secure the loan.

1 E. OVERT ACTS

2 12. In furtherance of the conspiracy, and to accomplish its purposes and objectives,  
3 the defendants committed and caused to be committed the following representative overt acts,  
4 among others, in the Western District of Washington, and elsewhere:

5 REPRESENTATIVE TRANSACTIONS

6 The following properties and associated transactions are representative examples of overt  
7 acts committed by the defendants, or others acting on their directions.

8 1420 Browns Point Boulevard, Tacoma, Washington

9 13. On or about March 27, 2006, I.P. entered into a real estate Purchase and Sale  
10 Agreement to buy property located at 1420 Browns Point Boulevard, Tacoma, Washington, for  
11 \$232,500.

12 14. GALINA KRAVCHENKO was the real estate agent for I.P.

13 15. An addendum to the Purchase and Sale Agreement, dated on or about May 10,  
14 2006, provided that a "Development fee of \$10,000.00 shall be payable to selling agent GALINA  
15 KRAVCHENKO from the buyers funds."

16 16. In or about May 2006, ALEKSANDR KRAVCHENKO, and others acting under  
17 his direction, submitted or caused to be submitted a Loan Application in the name of I.P., to  
18 Westsound Bank for consideration of a construction loan in the amount of \$650,000. The Loan  
19 Application falsely stated that I.P.'s monthly earnings were \$12,000.

20 17. The representation was material and on May 10, 2006, Westsound Bank funded  
21 the loan.

22 18. On or about May 11, 2006, at the time of closing, Stewart Title Company, the  
23 escrow company, issued an outgoing wire for \$10,000, from the loan proceeds, to GALINA  
24 KRAVCHENKO for payment of a "development fee." On or about May 11, 2006, the wire was  
25 deposited into the US Bank Account shared by ALEKSANDR KRAVCHENKO, GALINA  
26 KRAVCHENKO, and A.V.K.  
27  
28

1           19. On or about May 11, 2006, Skyline Properties, Inc. issued a check to GALINA  
2 KRAVCHENKO for \$8,401.81, which represented her commission for the sale of the property at  
3 1420 Browns Point Boulevard, Tacoma, Washington.

4                           3459 140th Avenue NE, Bellevue, Washington

5           20. On or about April 24, 2006, S.C. entered into a real estate Purchase and Sale  
6 Agreement to buy a property located at 3459 140th Avenue NE, in Bellevue, Washington, for  
7 \$750,000.

8           21. GALINA KRAVCHENKO was the real estate agent for S.C.

9           22. An addendum to the Purchase and Sale Agreement provided that a "Development  
10 fee of \$10,000.00 shall be payable to selling agent Artisan Homes from the buyers funds." The  
11 addendum had originally listed GALINA KRAVCHENKO as the individual to whom the  
12 \$10,000 would be paid. However, her name had been crossed out and replaced with Artisan  
13 Homes.

14           23. On or about May 23, 2006, ALEKSANDR KRAVCHENKO, and others acting  
15 under his direction, submitted or caused to be submitted a loan application in the name of S.C. to  
16 Westsound Bank for consideration of a construction loan in the amount of \$1,700,000. The Loan  
17 Application falsely stated that S.C.'s monthly earnings were \$30,000.

18           24. The representation was material and on or about May 24, 2006, Westsound Bank  
19 funded the loan.

20           25. On or about May 25, 2006, at the time of closing, Stewart Title, the escrow  
21 company, wired \$10,0000 from the loan proceeds, to GALINA KRAVCHENKO at the US Bank  
22 account she shared with ALEKSANDR KRAVCHENKO and with A.V.K. for payment of a  
23 "development fee."

24           26. On or about May 25, 2007, Skyline Properties issued a check to GALINA  
25 KRAVCHENKO for \$21,839.84, which represented GALINA KRAVCHENKO's commission  
26 from the sale of the property at 3459 140th Avenue NE, in Bellevue, Washington. On or about  
27 June 6, 2006, the check was deposited into ALEKSANDR and GALINA KRAVCHENKO's  
28 personal US Bank account.

32811 145th Place SE, Auburn, Washington

27. On or about June 16, 2007, Artisan Custom Homes entered into a real estate Purchase and Sale Agreement to buy the property located at 32811 145th Place SE, Auburn, Washington, for \$470,000. GALINA KRAVCHENKO served as the real estate agent for Artisan Custom Homes.

28. On or about June 26, 2007, Addendum/Amendment to the Purchase and Sale Agreement, Artisan Custom Homes assigned its position in purchasing the property to E.P. All other terms and conditions of the Agreement, including GALINA KRAVCHENKO's position as agent, remained the same.

29. On or about July 31, 2007, ALEKSANDR KRAVCHENKO, and others acting under his direction, submitted or caused to be submitted a Loan Application in the name of E.P., to Westsound Bank for consideration of a construction loan in the amount of \$1,195,000. The Loan Application included the following false statements:

- a. E.P.'s monthly earnings were \$22,096;
- b. E.P. held assets of \$200,000; and
- c. E.P. intended to use the property as his primary residence.

30. Moreover, the loan file contained false documentation submitted in support of the Loan Application, including:

- a. False 2005 and 2006 tax returns for E.P.

31. Moreover, ALEKSANDR KRAVCHENKO provided funds to E.P. to inflate E.P.'s bank account. More specifically, on or about July 13, 2007, ALEKSANDR KRAVCHENKO provided \$69,500 in cash to a third party who provided it to E.P., who then deposited the cash into E.P.'s Bank of America account.

32. On or about July 20, 2007, as part of its loan approval process, Westsound Bank requested a Verification of Deposit from Bank of America regarding E.P.'s account. On or about that same day, Bank of America sent to Westsound Bank, via facsimile, the Verification of Deposit regarding E.P.'s account and listed E.P.'s current account balance as \$69,093.78, with an average balance for twelve months as \$55,333.00. The Verification also provided that E.P.'s account had been opened in February 2006.



1           33.     On or about August 1 and 2, 2007, E.P. withdrew, in two separate withdrawals, a  
2 total cash amount of \$69,500. I.P. gave the cash to a third party, who then provided it to  
3 ALEKSANDR KRAVCHENKO.

4           34.     On or about September 5, 2007, \$69,500 in cash was deposited into the Artisan  
5 Custom Homes LLC, Bank of America account.

6           35.     The representations in the Loan Application and file were material and on or  
7 about July 31, 2007, Westsound Bank funded the loan.

8           36.     On or about August 3, 2007, at the time of closing, First American Title Insurance  
9 Company, the escrow company, issued a check for \$10,000, from the loan proceeds, to Artisan  
10 Custom Homes for payment of a "development fee." On or about August 10, 2007, the check  
11 was deposited into the Pallazzo Homes LLC, US Bank account.

12           37.     On or about August 6, 2007, Skyline Properties issued a check to Artisan Custom  
13 Homes LLC for \$29,311.00, which represented GALINA KRAVCHENKO's commission from  
14 the purchase of the property at 32811 145th Place SE, Auburn, Washington. On or about August  
15 10, 2007, the check was deposited into Pallazzo Homes US Bank account.

16                     7608 Langlow Street SW, Lakewood, Washington

17           38.     On or about May 16, 2007, S.B. entered into a real estate Purchase and Sale  
18 Agreement to buy a residence located at 7608 Langlow Street SW, in Lakewood, Washington,  
19 for \$345,000.

20           39.     On or about August 2, 2007, ALEKSANDR KRAVCHENKO, and others acting  
21 under his direction, submitted or caused to be submitted a Loan Application in the name of S.B.,  
22 to Westsound Bank for consideration of a construction loan in the amount of \$825,000. The  
23 Loan Application included the following false statements and supporting documentation:

- 24                     a.     S.B.'s monthly earnings were \$16,000; and  
25                     b.     S.B. owned \$200,000 in personal property.  
26  
27  
28



1           40.     Moreover, the loan file contained false documentation submitted in support of the  
2     Loan Application, including:

- 3                 a.     False 2005 & 2006 tax returns for S.B.;
- 4                 b.     False bid documents from Contractors Building Supply, Inc., Rusco  
5     Painting and More, LLC, and Superior Floors and Countertops; and
- 6                 c.     False Owner Builder Questionnaire.

7           41.     Moreover, ALEKSANDR KRAVCHENKO provided funds to S.B. to inflate  
8     S.B.'s bank account. More specifically, on or about July 10, 2007, S.B. deposited into his US  
9     Bank personal bank account Westsound Bank Cashier's Check number 214209, in the amount of  
10    \$30,000. The Cashier's Check had been purchased by ALEKSANDR KRAVCHENKO.

11          42.     On or about July 27, 2007, as part of its loan approval process, Westsound Bank  
12    requested a Verification of Deposit from US Bank regarding S.B.'s account. On or about that  
13    same day, US Bank sent to Westsound Bank, via facsimile, the Verification of Deposit regarding  
14    S.B.'s account and listed S.B.'s current account balance as \$29,993.19, with an average balance  
15    for the previous two months as \$4,863.43.

16          43.     On or about August 2, 2007, S.B. purchased from US Bank Cashier's Check  
17    number 503222676, made out to ALEKSANDR KRAVCHENKO in the amount of \$30,000.

18          44.     The representations in the Loan Application and file were material and on or  
19    about August 6, 2007, Westsound Bank funded the loan.

20          45.     On or about August 6, 2007, at the time of closing, First American Title Insurance  
21    Company, the escrow company, issued a check for \$10,000 from the loan proceeds, to Artisan  
22    Custom Homes for payment of a "development fee." On or about August 10, 2007, the check  
23    was deposited into the Pallazzo Homes LLC, US Bank account.

11531 206<sup>th</sup> Place SE, Issaquah, Washington

46. On or about July 16, 2007, A.H. entered into a real estate Purchase and Sale Agreement to buy property located at 11531 206<sup>th</sup> Place SE, Issaquah, Washington, for \$525,000. GALINA KRAVCHENKO was the real estate agent for A.H.

47. On or about July 16, 2007, ALEKSANDR KRAVCHENKO, and others acting under his direction, submitted or caused to be submitted a Loan Application in the name of A.H., to Westsound Bank for consideration of a construction loan in the amount of \$1,548,750. The Loan Application included the following false statements:

- a. A.H.'s monthly earnings were \$21,939;
- b. A.H. owned personal property valued at \$350,000;
- c. A.H.'s business' net worth was \$200,000; and
- d. A.H. intended to use the property as his primary residence.

48. Moreover, the loan file contained false documentation submitted in support of the Loan Application, including, false 2005 & 2006 tax returns for A.H.

49. Moreover, ALEKSANDR KRAVCHENKO provided and caused to be provided funds to A.H. to inflate his bank account. More specifically, on or about July 25, 2007, A.H. deposited into his Bank of America personal account Bank of America Cashier's Check #2120915574, in the amount of \$40,000. The Cashier's Check had been purchased by A.V.K.

50. On or about July 25, 2007, as part of its loan approval process, Westsound Bank requested a Verification of Deposit from Bank of America regarding A.H.'s account. On or about that same day, Bank of America sent to Westsound Bank, via facsimile, the Verification of Deposit regarding A.H.'s account and listed A.H.'s current account balance as \$33,069.40, with an average balance for twelve months as \$0.00.

51. On or about August 10, 2007, A.H. purchased from Bank of America Cashier's Check # 2120919975, made out to ALEKSANDR KRAVCHENKO in the amount of \$37,000.

52. The representations in the Loan Application and file were material and on or about August 13, 2007, Westsound Bank funded the loan.

53. On or about August 15, 2007, at the time of closing, Chicago Title issued a wire transfer for \$15,000 from the loan proceeds to Artisan Custom Homes for payment of a "development fee." On or about August 15, 2007, the wire transfer was deposited into the Pallazzo Homes LLC, US Bank account.

54. On or about August 14, 2007, Skyline Properties issued a check to Artisan Custom Homes LLC for \$15,274.75, which represented GALINA KRAVCHENKO's commission from the purchase of the property at 11531 206<sup>th</sup> Place SE, Issaquah, Washington. On or about August 23, 2007, the check was deposited into the Pallazzo Homes LLC, US Bank account.

55. Counts two through fifteen of this Indictment are hereby incorporated by reference herein and alleged as overt acts as if fully set forth herein.

All in violation of Title 18, United States Code, Section 1349.

COUNTS 2-6

(Bank Fraud)

56. The factual allegations contained in paragraphs one through 54 are realleged and incorporated by reference as though fully set forth herein.

57. On or about the dates listed below, in the Western District of Washington, ALEKSANDR KRAVCHENKO and GALINA KRAVCHENKO, did knowingly execute, and attempt to execute, the scheme and artifice to defraud as described in Count One to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of Westsound Bank, a financial institution as defined in Title 18, United States Code, Section 20, by causing the following transactions by means of false and fraudulent pretenses, representations, and promises:

Count	Date	Transaction
2	May 10, 2006	Obtained construction loan proceeds in the amount of \$650,000 for the purchase of and construction on property located at 1420 Browns Point Boulevard, Tacoma, Washington.
3	May 24, 2006	Obtained construction loan proceeds in the amount of \$1,700,000 for purchase of and construction on property located at 3459 140th Avenue NE, in Bellevue, Washington.

4	July 31, 2007	Obtained construction loan proceeds in the amount of \$1,195,000 for the purchase of and construction on property located at 32811 145th Place SE, Auburn, Washington.
5	August 6, 2007	Obtained construction loan proceeds in the amount of \$825,000 for purchase of and construction on property located at 7608 Langlow Street SW, in Lakewood, Washington.
6	August 13, 2007	Obtained construction loan proceeds in the amount of \$1,548,750 for the purchase of and construction on property located at 11531 206th Place SE, Issaquah, Washington.

All in violation of Title 18, United States Code, Section 1344.

## COUNTS 7-15

## (Money Laundering)

On or about the dates listed below, within the Western District of Washington, and elsewhere, ALEKSANDR KRAVCHENKO and GALINA KRAVCHENKO, knowing that the property involved in a financial transaction represented the proceeds of unlawful activity, and which in fact involved the proceeds of specified unlawful activity, namely, bank fraud, in violation of Title 18, United States Code, Section 1344, knowingly and intentionally did conduct, and aid and abet the conducting of, the financial transactions listed below, affecting interstate commerce and with the intent to promote the carrying on of the specified unlawful activity, by providing fraudulently-obtained funds to themselves for their own use and benefit.

Count	Date	Description of Financial Transaction	Amount
7	May 11, 2006	Wire transfer from Key Bank for Stewart Title into US Bank account number ending in 4440, held by ALEKSANDR KRAVCHENKO, GALINA KRAVCHENKO, and A.V.K., which constituted a payment of a development fee for property located at 1420 Browns Point Boulevard, Tacoma, Washington.	\$10,000
8	May 11, 2006	Check number 70043, drawn on Commerce Bank of Washington account number ending in 3527, held by Skyline Properties, Inc., payable to GALINA KRAVCHENKO, which constituted a payment of commission for the property located at 1420 Browns Point Boulevard, Tacoma, Washington.	\$8,401.81
9	May 25, 2006	Wire transfer from Key Bank for Stewart title into US Bank account number ending in 4440, held by ALEKSANDR KRAVCHENKO, GALINA KRAVCHENKO, and A.V.K., which constituted a payment of a development fee for property located at 3459 140th Avenue NE, in Bellevue, Washington.	\$10,000
10	May 25, 2006	Check number 81802, drawn on Commerce Bank of Washington account number ending in 3527, held by Skyline Properties, Inc., payable to GALINA KRAVCHENKO, which constituted a payment of commission for the property located at 3459 140th Avenue NE, Bellevue, Washington.	\$21,839.84

Count	Date	Description of Financial Transaction	Amount
11	August 3, 2007	Check number 132196, drawn on Key Bank account number ending in 7315, held by First American Title Insurance Company, payable to Artisan Custom Homes, which constituted a payment of a development fee for property located at 32811 145th Place SE, Auburn, Washington.	\$10,000
12	August 6, 2007	Check number 81936, drawn on Commerce Bank of Washington account number ending in 3527, held by Skyline Properties, Inc., payable to Artisan Custom Homes, LLC, which constituted a payment of commission for the property located at 32811 145th Place SE, Auburn, Washington.	\$29,311
13	August 6, 2007	Check number 132258, drawn on Key Bank account number ending in 7315, held by First American Title Insurance Company, payable to Artisan Custom Homes, which constituted a payment of a development fee for property located at 7608 Langlow Street SW, in Lakewood, Washington.	\$10,000
14	August 15, 2007	Wire transfer drawn on Seafirst account number ending in 4227, payable to Artisan Custom Homes, which constituted payment of a development fee for property located at 11531 206th Place SE, Issaquah, Washington.	\$15,000
15	August 14, 2007	Check number 82089, drawn on Commerce Bank of Washington account number ending in 3527, held by Skyline Properties, Inc., payable to Artisan Custom Homes, LLC, which constituted a payment of commission for the property located at 11531 206th Place SE, Issaquah, Washington.	\$15,274.75

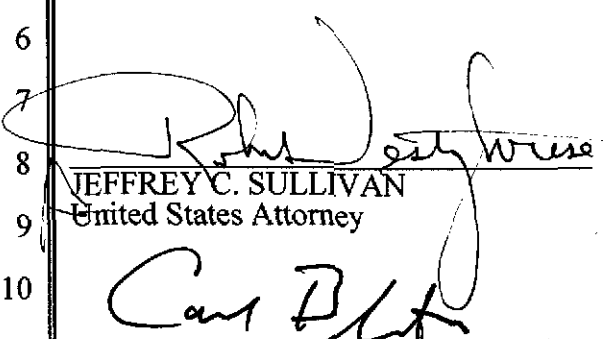
1 All in violation of Title 18, United States Code, Section 1956(a)(1)(A)(I).

2 A TRUE BILL

3 DATED: 5/21/2009

4 Signature of Foreperson redacted pursuant to the  
5 policy of the Judicial Conference of the United  
6 States

7 FOREPERSON

8   
9 JEFFREY C. SULLIVAN  
United States Attorney

10   
11 CARL BLACKSTONE  
12 Assistant United States Attorney

13   
14 TESSA M. GORMAN  
15 Assistant United States Attorney